

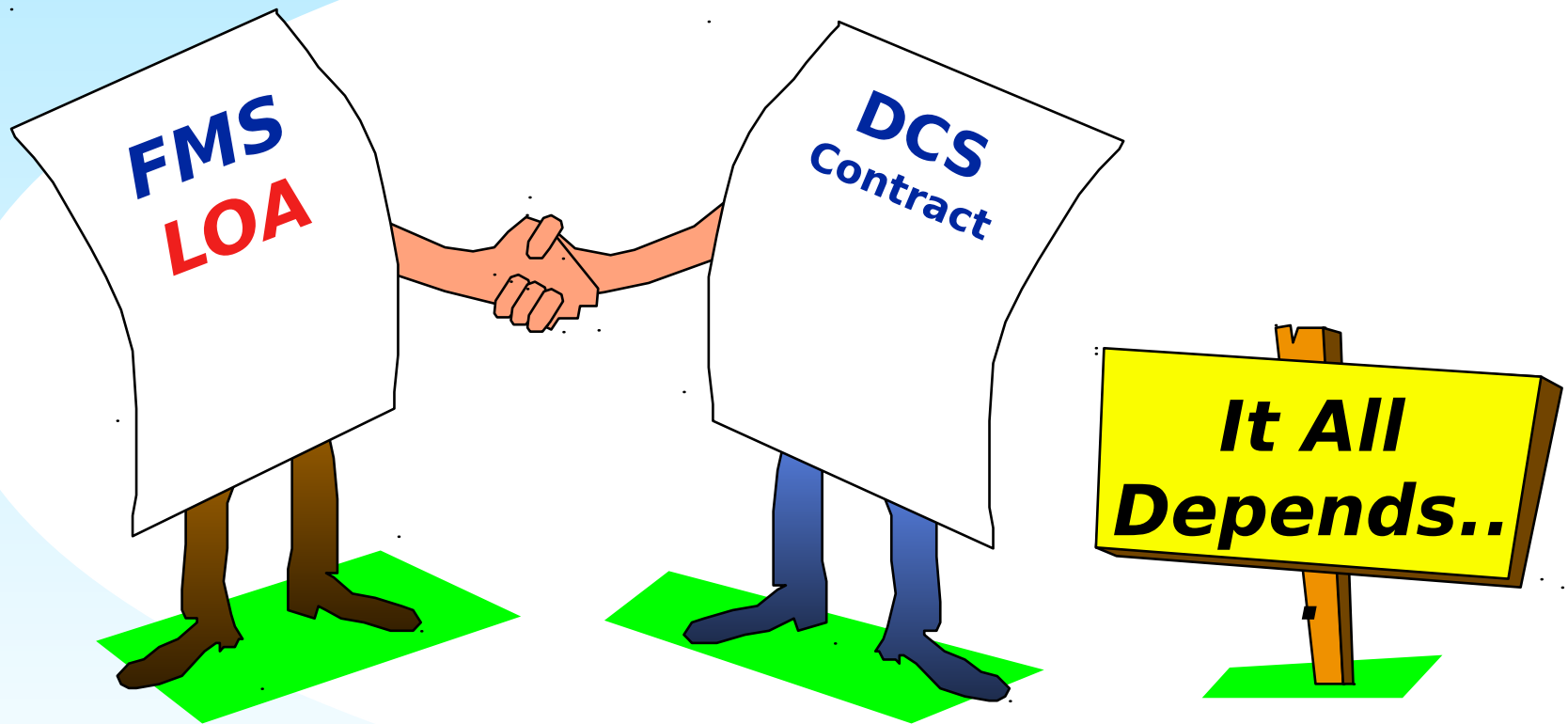
A Comparison:

Direct **&** **F**oreign
Commercial **M**military
Sales **S**ales



FMS or DCS

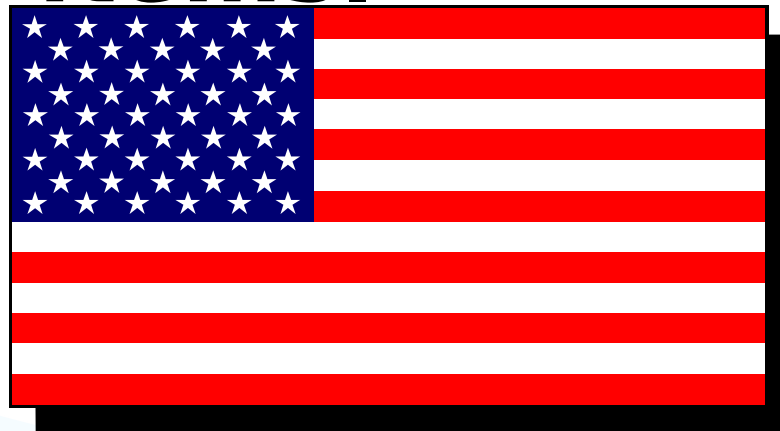
Which is better?



Acquisition Preference

SAMM C4.5.8

DoD *prefers* that countries friendly to the US fill defense requirements with *US origin* items.



Foreign Purchaser's Option

The purchaser has the option to buy through DCS or FMS channels - SAMM C2.5.7.1.5

DCS?

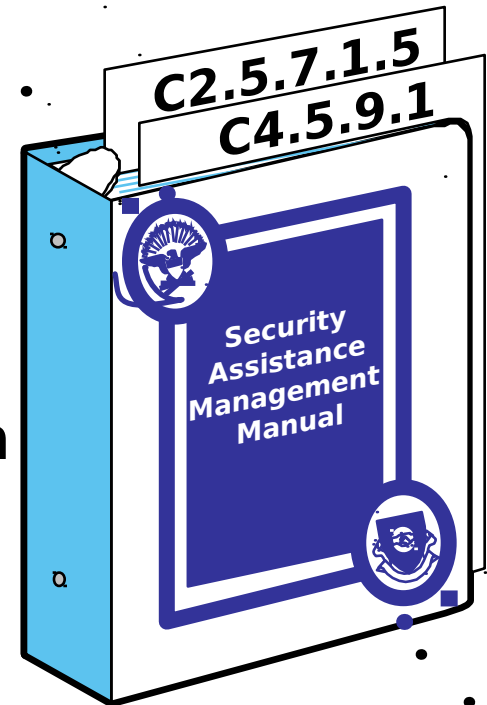
FMS?



**Foreign
Purchaser**

DoD View

DoD is generally neutral whether a foreign country purchases through FMS or DCS.
SAMM C4.5.9.1



FMS-Only Designation

SAMM C4.5.9

- **DSCA/State Department can require “FMS-Only” sales**
- **Evaluation Criteria**
 - **Relationship with purchaser**
 - **Interoperability with US**
 - **Complex system or technologies**
 - **Sensitive data access**



FMS-Only Designation

Historical examples

- **Man Portable Air Defense (MANPAD) missiles**
- **Global Positioning System - Precise Positioning Service (GPS/PPS)**
- **Airborne Early Warning & Control (AEW&C) Systems**
- **Certain Cryptographic Items**



DCS Preference Designation

SAMM C4.5.10

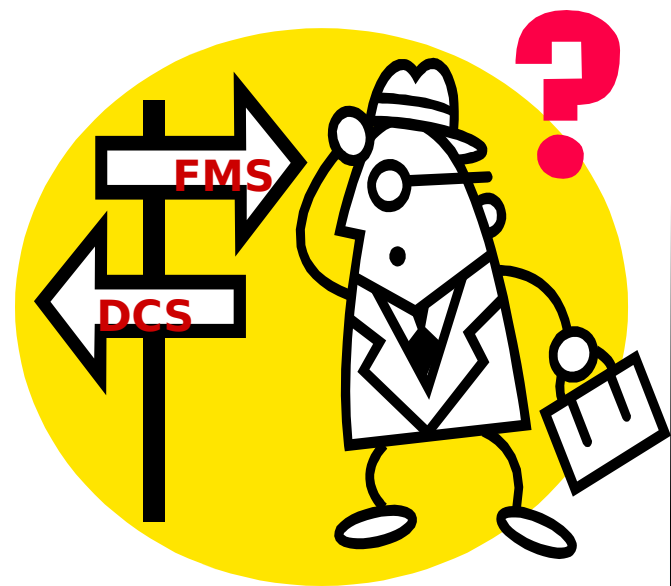
- **Companies may request DCS preference**
- **Approved requests valid for 1 year**
 - **“Best effort” to comply**
 - **Implementing agency may decline LORs**
- **Exclusions:**
 - **Blanket order LOAs**
 - **Support items for system sale**



What about both FMS & DCS?

- System sale total package may be **separated** into a **DCS portion** and a **FMS portion** - SAMM C4.5.9.2.4

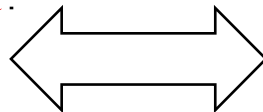
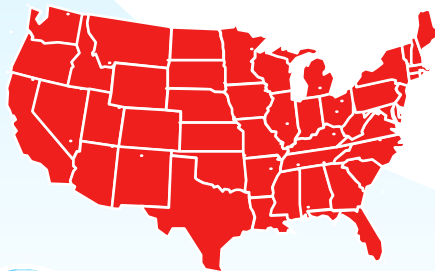
- Common support should be provided even though the end items were **acquired commercially**
SAMM C4.3.3



Concurrent Negotiations

SAMM C4.5.11

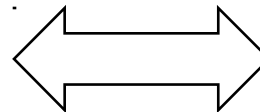
- **Military services will not normally engage in FMS/DCS comparison studies**
- **Can be done in certain circumstances**
 - **Countries national policy requirement**
 - **DSCA approves policy exception for special circumstances**



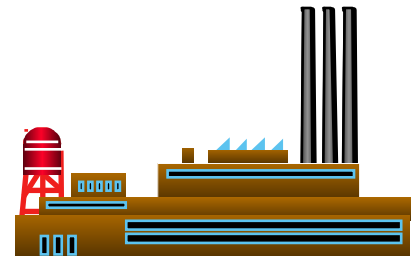
FMS



???



DCS



LOA Withdrawal

SAMM C4.5.11.1

- **LOA provided then country solicits DCS bids**
 - **Implementing Agency should ask country its procurement intentions**
- **LOA may be withdrawn**



Eligible for FMFP Funded DCS
SAMM C9.7.4.1.1

Egypt
Greece
Israel
Jordan
Morocco

Pakistan

Portugal

Tunisia

Turkey

Yemen

http://www.dsca.mil/DSCA_memoranda/fmf_dcc_2005/Guidelines2005%20Final.pdf



FMFP Guidelines for DCS

SAMM C9.7.4

- Possible when approved by DSCA on case-by-case basis
- Normally not for standard items
- Contract over \$100K
- FMFP may not pay for “Offset Costs” or sales commissions
- USG contractor oversight--strict contractor certifications
 - http://www.dsca.mil/DSCA_memoranda/fmf_dcc_2005/05%20JAN%20CERT4.pdf

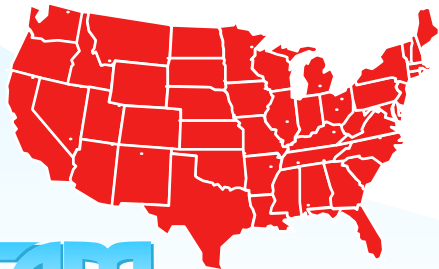
FMS or DCS

- **Most defense articles and services can be provided through either FMS or DCS**
- **Is one method the best for all procurements?**
 - **Relationships**
 - **Management**
 - **Financial**

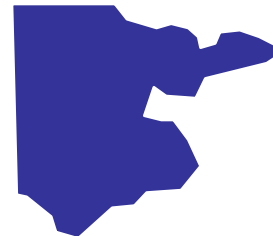


Relationships - FMS

- **Government-to-Government**
 - **LOA between U.S. Government and purchaser**
 - **Procurement contract between U.S. Government and contractor**
 - **Direction from U.S. Government**
 - **Disputes resolved by U.S. Government**
- **Report to Congress if sale meets §36(b), AECA**



FMS



Relationships - FMS

United States Government

LOA

CONTRACT

**Foreign
Government**

**United States
Contractor**

http://www.dsca.mil/PressReleases/36-b/36b_ind

Wednesday, December 12, 2007

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36(b) Arms Sales Notifications

You are Visitor **12659**

CY 2007

NEW

► (WASHINGTON, December 10, 2007)
DSCA notified Congress of a possible Foreign Military Sale to the United Kingdom of follow-on support for the Tomahawk Weapon System (TWS)

NEW

► (WASHINGTON, December 7, 2007)
DSCA notified Congress of a possible Foreign Military Sale to Saudi Arabia of AN/AAQ-33 SNIPER Targeting Pods

NEW

► (WASHINGTON, December 7, 2007)
DSCA notified Congress of a possible Foreign Military Sale to Saudi Arabia of mission equipment for AWACS aircraft

NEW

► (WASHINGTON, December 4, 2007)
DSCA notified Congress of a possible Foreign Military Sale to Kuwait of PAC-3 missiles, PAC-2 missile upgrades to GEM-T, and PATRIOT ground support equipment upgrades

NEW

► (WASHINGTON, December 4, 2007)
DSCA notified Congress of a possible Foreign Military Sale to the United Arab Emirates of the PATRIOT Advanced Capability-3 Missile System

NEW

► (WASHINGTON, December 4, 2007)
DSCA notified Congress of a possible Foreign Military Sale to the United Arab Emirates of upgrades and

36(c) & (d) Commercial Arms Sales Notifications (by DoS)

► Commercial Arms Sales Notifications by DoS

36(b) Archive

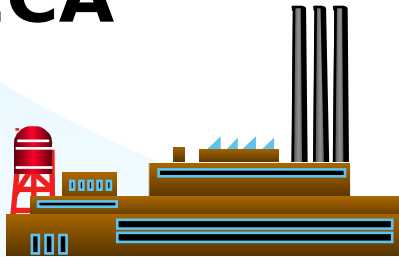
- CY 2007
- CY 2006
- CY 2005
- CY 2004
- CY 2003
- CY 2002
- CY 2001

FMS Major Arms Sales Notification Process

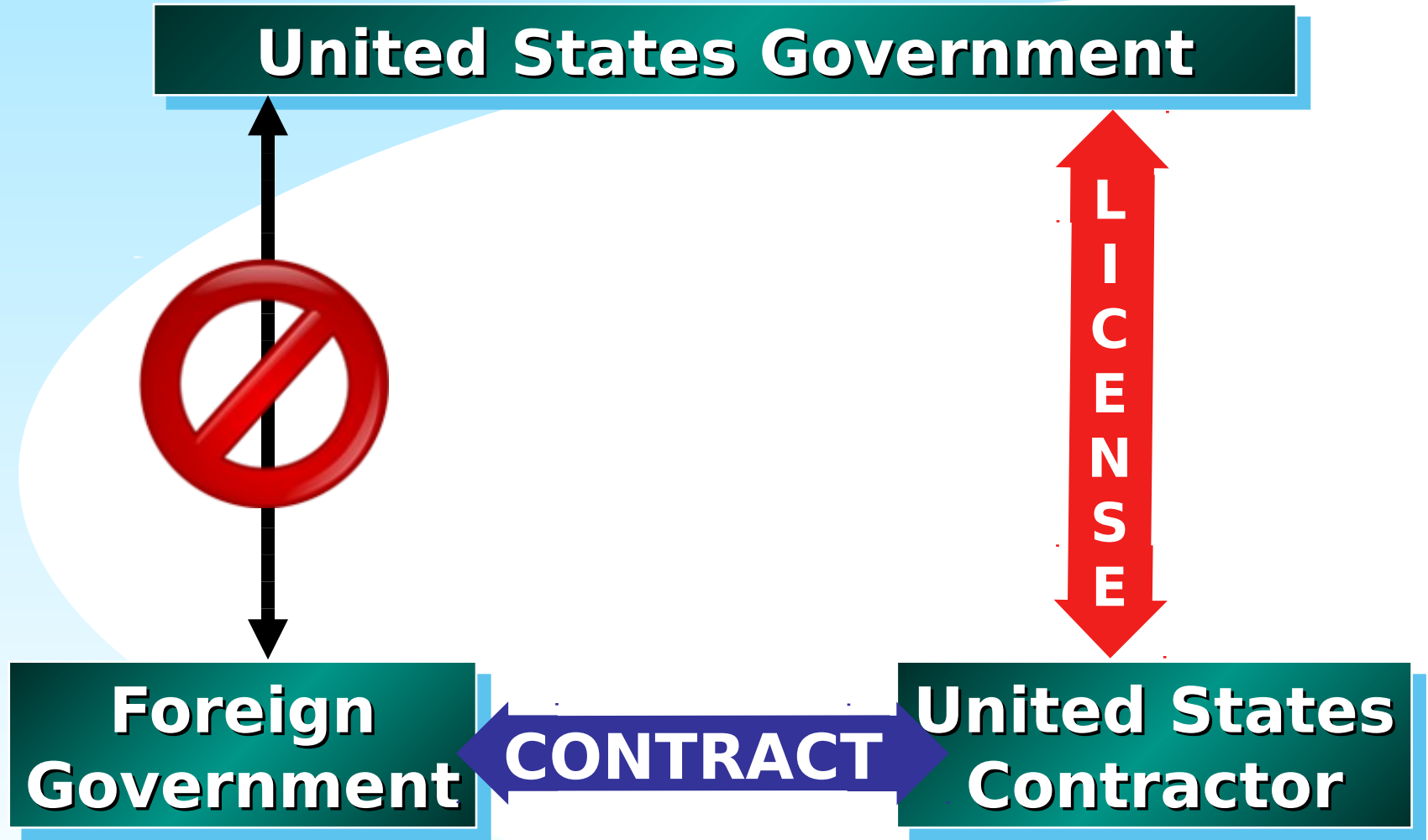
- FMS Major Arms Sales Notification
Process Briefing (5/05)

Relationships - DCS

- **U.S. Government only involved in export license review**
- **Procurement contract between U.S. industry & foreign government**
 - **Contractor directly interfaces with customer**
 - **No U.S. Government involvement**
 - **Disputes resolved by foreign government**
- **Report to Congress if sale meets §36(c), AECA**



Relationships - DCS





[DDTC Homepage / Licensing](#)

Directorate of Defense Trade Controls

[Print-friendly version](#)

[Elements of Defense Trade Controls](#)

[Who We Are](#)

[D-Trade](#)

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Defense Trade Controls - Applying for a License

Last Updated: October 18, 2006

On this page:

- ▶ [Licensing and Registration requirements](#)
- ▶ [D-Trade](#), fully electronic licensing - The preferred way to submit a license.
- ▶ [ELLIE](#) - Available only to submit a DSP-119.
- ▶ [Sign up for ELLIE.](#)
- ▶ [Hardcopy version of the DSP-5, DSP-61, and DSP-73.](#)
- ▶ [Order Form DSP-85 for official use.](#)
- ▶ [Download Form DSP-83 for official use.](#)
- ▶ [Download Form DSP-94 for official use.](#)
- ▶ [Licensing Guidelines.](#)

■ ■ ■ ■

Licensing Requirement - Generally, any person or company who intends to export or to temporarily import a defense article must obtain the approval of DDTC prior to the export or temporary import. The appropriate license form must be submitted for the purpose of seeking approval.

Registration Requirement - In most cases, in order for a license to be considered, you first must be [registered](#) with DDTC.

<http://www.pmddtc.state.gov/licenses.htm>

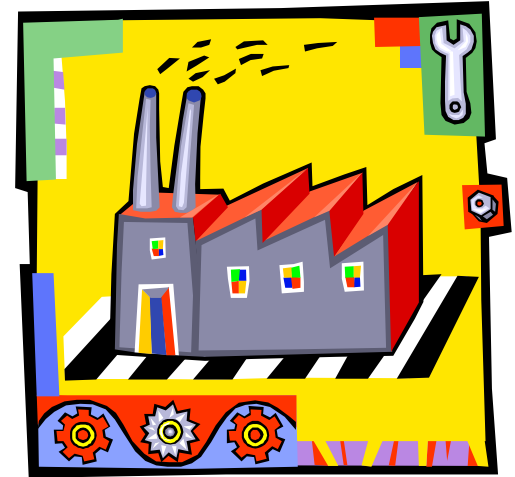
Management - FMS

- **DoD Program management -
“Leave the driving to us”**
- **Experienced personnel
familiar with the equipment**
- **FMS charges for this
management service**
 - **Administrative surcharge**
 - **Contract administration services (CAS)**
 - **Non-recurring costs**
 - **Defined Services Lines**



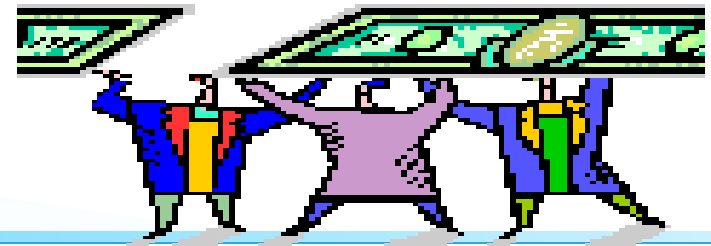
Management - DCS

- **Foreign purchaser must assume this responsibility**
 - Contract negotiation
 - Contract administration
 - Technical knowledge
 - Legal system
- **What are the internal management costs? Will they exceed FMS the charges?**
- **Will there be additional benefits that outweigh additional costs?**



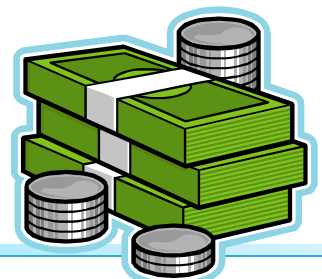
Financial Issues - FMS

- **LOA estimated prices - What will the actual cost be?**
- **Will LOA payment schedule match actual execution performance profile?**
- **When will the case be closed?**
- **USG consolidates purchases for better prices**
- **Prompt and reliable payments to contractor**



Financial - DCS

- **May represent more risk for seller**
- **Freedom from FAR & DFARS may reduce cost**
- **Less than economic quantity purchase**
- **Commercial banking procedures**
- **Prompt incremental and final billing**
- **Prompt contract closure**



Range of Customer Involvement

- **Traditional FMS**
- **Sole Source FMS**
- **FMS with Offsets**
- **Combination FMS / DCS**
- **DCS with FMFP**
- **DCS with USG contract admin**
- **Traditional DCS**



What's the Best Choice?



FMS or DCS

Which is better?

